

EXHIBIT A

Department of the Treasury
Internal Revenue Service
P.O. Box 17167
Stop 4043
Ft. Lauderdale, Florida 33318

Date: **MAR 22 2007**

Fresenius Medical Care Holdings, Inc.
(f/k/a W.R. Grace & Co. Affiliated Group and after that
f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)
c/o Tax Department
5400 Broken Sound Boulevard NW, Suite 300
Boca Raton, Florida 33487-3517

Employee to Contact:
Susan S. Wells
Employee Identification Number:
65-04445
Contact Telephone Number:
(954) 423-7510
Taxpayer Identifying Number:
13-3461988

CERTIFIED MAIL

Taxable Year Ended	Deficiency
December 31, 1989	\$32,554,061.00

NOTICE OF DEFICIENCY

The last date to file a petition with the United States Tax Court is JUN 20 2007
if the filing of the tax court petition is not prohibited by the automatic stay imposed by
the bankruptcy code. If the automatic stay was in effect on the date of this letter or
comes into effect during the period from the date of this letter through JUN 20 2007
see the description of how to calculate the last date to file a petition below.

We have determined that you owe additional tax, other amounts, or both, for the tax year(s)
identified above. This letter is your NOTICE OF DEFICIENCY, as required by law and
permitted by Bankruptcy Code §362(b)(9). The enclosed statement shows how we figured the
deficiency. If you are a C-corporation, section 6621(c) of the Internal Revenue Code requires
that we charge an interest rate two percent higher than the normal rate on large corporate
underpayments of \$100,000 or more.

You and/or your spouse have various options in responding to this letter. The **first** option is
to agree with the amount of proposed deficiency listed above. *If you agree*, sign the enclosed
waiver form and return it to us at the Internal Revenue Service (IRS) address on the top of the
front of this letter. This will permit us to assess the deficiency quickly and can limit the
accumulation of interest. If you choose this option, you do not need to read any further.

A **second** option is to petition the United States Tax Court by the date shown above, *if the automatic stay was not in effect from the date of this letter through the date shown above as the last date to file a petition.* A stay is a temporary suspension of proceedings. If we issue a notice of deficiency and the automatic stay is in effect, the automatic stay prohibits a person in bankruptcy from filing a petition with the Tax Court until the automatic stay is lifted or terminated by operation of law.

A **third** option is to request the Bankruptcy Court to lift the automatic stay under the Bankruptcy Code section 362(d)(1) so that you can file a Tax Court petition while you are still in bankruptcy. *If you file a Tax Court petition while the automatic stay is still in effect, the Tax Court will dismiss your petition for lack of jurisdiction.*

A **fourth** option is to petition the Tax Court *after* the automatic stay is no longer in effect by operation of law. Generally, the automatic stay terminates by operation of law at the earliest of the time the bankruptcy case is closed, the time the bankruptcy case is dismissed, or in an individual Chapter 7 case or a case under Chapters 9, 11, 12 or 13, the time a discharge is granted or denied by the Bankruptcy Court.

WHEN TO FILE A PETITION

Second Option – File by the date shown above as “the last date to file a petition,” *if the automatic stay was never in effect for the time period from the date of this letter through the date listed above as the “last date to file a petition.”*

Third and Fourth Options – If the automatic **stay is in effect** as of the date of this letter and prohibits the filing of a Tax Court petition, you may file a Tax Court petition after the automatic stay is lifted by the Bankruptcy Court or when the automatic stay is no longer in effect by operation of law. If the automatic stay was in effect as of the date of this letter, then once the automatic stay is terminated you have 90 days from the date it was terminated (150 days if we mailed this letter to an address outside of the United States), plus the additional 60 day period set out in section 6213(f)(1) of the Internal Revenue Code, to file your Tax Court petition asking for a redetermination of the deficiency.

If the automatic **stay was not in effect** as of the date of this letter but you file a bankruptcy petition within the 90 day (or if applicable, 150 day) period to file a Tax Court petition but prior to filing your Tax Court petition, then once the automatic stay is terminated, you have 90 days (or if applicable, 150 days) less the number of days between the date of this letter and the date of filing the bankruptcy petition, plus the additional 60 day period set out in section 6213(f)(1), to file your Tax Court petition. However, we suggest that you file your petition as soon as possible after the Bankruptcy Court lifts the automatic stay or the automatic stay is no longer in effect.

HOW TO FILE A PETITION

If this letter is addressed to a husband and wife, both want to petition the Tax Court, **and** neither is in bankruptcy with an automatic stay in effect, you may file a joint petition that both of you must sign, or you may each file a separately signed petition.

If both spouses are in bankruptcy and the automatic stay is in effect, each spouse should request the Bankruptcy Court to lift the automatic stay before filing a Tax Court petition. If only one spouse has the automatic stay lifted, then only that spouse can file a Tax Court petition. If only one spouse is in bankruptcy and the automatic stay is in effect, the spouse in bankruptcy

must request the Bankruptcy Court to lift the stay before filing a petition with the Tax Court. The spouse not in bankruptcy can file a separate petition to the Tax Court. The extension of time given the spouse in bankruptcy does not extend the time to file a petition for the spouse not in bankruptcy.

All petitions to the Tax Court for a redetermination of this deficiency must be sent to: **United States Tax Court, 400 Second Street, N.W., Washington, D.C. 20217.** Attach a copy of this letter and copies of all statements and/or schedules you received with this letter. You can get a copy of the rules for filing a petition and a petition form by writing to the Clerk of the Tax Court at the same address. If more than one tax year is shown above, you may file one petition form showing all of the years you are contesting. You may represent yourself or you may be represented by anyone admitted to practice before the Tax Court.

The Tax Court has a simplified procedure for cases when the amount in dispute is \$50,000 or less for any one tax year. You can get information about this procedure by writing to the Tax Court at the address listed above, or from the court's internet site at www.ustaxcourt.gov. Write promptly if you intend to file a timely petition with the Tax Court.

The Court cannot consider your case if the petition is filed late. The petition is considered timely filed if the U.S. postmark date falls with the 90 (or 150) day period stated above and as extended by I.R.C. §6213(f)(1), if applicable, and the envelope containing the petition is properly addressed to the Tax Court with the correct postage affixed. Contacting the Internal Revenue Service (IRS) for more information, or receiving other correspondence from the IRS, will not change the allowable period for filing a petition with the Tax Court. If you decide not to sign and return the enclosed waiver form, and you do not file a petition with the Tax Court within the applicable time limits discussed above, the law requires us to assess the proposed deficiency and send you a request for payment.

BANKRUPTCY COURT CONSIDERATIONS AND OPTIONS

Whether you file a petition with the Tax court, contest the deficiency in the Bankruptcy Court, or sign and return the waiver form, the IRS is authorized to file a proof of claim with the Bankruptcy Court for the deficiency, interest and additions to tax provided by law.

You have the option of filing an objection in the Bankruptcy Court to any proof of claim the IRS may file or of initiating a proceeding under section 505 of the Bankruptcy Code to determine the amount of the proposed deficiency, interest and additions to tax provided by law that are due from you. You can initiate a section 505 proceeding even if the IRS has not filed a proof of claim in your bankruptcy case. If the Bankruptcy Court or the Tax Court determines your tax liability, you cannot petition the other Court to redetermine the same liability at some later date.

GETTING ANSWERS TO ANY QUESTIONS


If you have questions about this letter, you may write to or call the contact person whose name, telephone number, employee identification number and IRS address are shown on the front of this letter. If you write, please include your telephone number, the best time for us to call, and a copy of this letter to help us to identify your account. You may wish to keep the original letter for your records. If you prefer to call and the telephone number is outside your local calling area, there will be a long distance charge to you.

The contact person can access your tax information and help you to get answers. Also you have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures such as the formal appeals process. The Taxpayer Advocate is not able to reverse legally correct tax determinations, nor extend the time fixed by law that you have to file a petition with the Tax Court. The Taxpayer Advocate can ensure that a tax matter gets prompt and proper handling when it may not have been resolved through normal channels. If you want Taxpayer Advocate assistance, please contact the Taxpayer Advocate for the IRS office that issued this notice of deficiency. For a list of Taxpayer Advocate telephone numbers and addresses, see the enclosed Notice 1214, *Helpful Contacts for Your "Notice of Deficiency"*.

Thank you for your cooperation.

Sincerely,

Mark W. Everson
Commissioner

By  (mjm)

Linda B. Vranas
Technical Services Territory Manager
South Atlantic Area

Enclosures:
Waiver
Statement
Notice 1214
Envelope

Form 4089
(Rev. January 1983)

Department of the Treasury

Internal Revenue Service

Notice of Deficiency Waiver

Name, SSN or EIN, and Address of Taxpayer

Fresenius Medical Care Holdings, Inc.
(f/k/a W.R. Grace & Co. Affiliated Group and after that
f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)
c/o Tax Department
5400 Broken Sound Boulevard NW, Suite 300
Boca Raton, Florida 33487-3517

EIN: 13-3461988

Kind of Tax Income

Copy to Authorized Representative

Elyse Filon, Esquire, Vice President-Finance
W.R. Grace & Co.
5400 Broken Sound Boulevard NW, Suite 300
Boca Raton, Florida 33487-3517

Deficiency

Taxable Year Ended	Deficiency
December 31, 1989	\$32,554,061.00

See the attached explanation for the above deficiencies

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your _____ **date** _____
Signature

Spouse's _____ **date** _____
Signature

Taxpayer's Representative _____ **date** _____
Signature

Corporate Name _____

Corporate Officers _____ **date** _____
Signature

Note: If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

Who Must Sign: If this waiver is for any year(s) for which you filed a joint return, both you and your spouse must sign this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

If you agree, please sign this waiver (Form 4089) and return it.

Fresenius Medical
Care Holdings, Inc.
EIN:13-3461988

ATTACHMENT TO WAIVER
Taxable Year Ended
December 31, 1989

It is determined that the amount of \$7,537,535.00 refunded to you for the taxable year ended December 31, 1989 resulted from your Application for Tentative Refund Form 1139 on which you claimed a net operating loss carryback from the taxable year ended December 31, 1997.

This net operating loss carryback cannot be used in the taxable year ended December 31, 1989 because it is subject to the separate return limitation year (SRLY) limitations imposed by the Treasury Regulations under I.R.C. § 1502 and the amount of the carryback exceeds the amount of the SRLY limitations imposed by those regulations.

It is further determined that the amount of \$27,751,599.00 refunded to you for the taxable year ended December 31, 1989 resulted from your Application for Tentative Refund Form 1139 on which you claimed a net operating loss carryback from the taxable year ended December 31, 1998.

This net operating loss carryback cannot be used in the taxable year ended December 31, 1989 because it is subject to the separate return limitation year (SRLY) limitations imposed by the Treasury Regulations under I.R.C. § 1502 and the amount of the carryback exceeds the amount of the SRLY limitations imposed by those regulations.

Due to the adjustments in this notice and other reports previously furnished to you, you sustained a net operating loss deduction within the meaning of section 172 of the Internal Revenue Code in the amount of \$0.00 for the taxable year ended December 31, 1989, rather than the amount of \$131,427,399.00 as shown on your return.

Fresenius Medical Care
Holdings, Inc.

ATTACHMENT TO WAIVER
Taxable Year Ended
December 31, 1989

Common Parent Corporation
Fresenius Medical Care Holdings, Inc. (f/k/a
W.R. Grace & Co. Affiliated Group and after that
f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)

Employer Identification Number
13-3461988

Subsidiary Corporations

SUBSIDIARY	EIN	Taxable Year Ended December 31, 1989
W.R. Grace & Co.-Conn	13-5114230	X
AG CHEM International, Inc.	13-3450409	X
Alewife Boston, Ltd.	22-2603361	X
Alewife Land Corporation	22-2603359	X
American Carry Products Corp.	13-3064201	X
Antilles Chemical Corporation	13-6044272	X
A-1 Bit and Tool Co. Inc.	22-2974435	X
Beckett Golf Club, Inc.	22-2026790	X
Berry Gas Company	73-0801942	X
Camillus Acres, Inc.	23-1945205	X
Chomerics, Inc.	04-2281379	X
Coalgrace, Inc.	13-2934063	X
Cox Marketing, Inc.	75-1449619	X
Creative Food ' Fun Company	58-1505881	X
Creative Restaurant Concepts, Inc.	58-1507000	X
Darex Puerto Rico, Inc.	13-2830236	X
Daylin Summit, Inc.	95-2748113	X
Del Taco Corporation	95-3190440	X
Del Taco Restaurants, Inc. (formally Taco Villa, Inc.)	75-1437918	X
Devcoa Incorporated	95-1033047	X
Deway and Almy Company	04-6087235	X
El Liquidating Corp.	31-0513578	X
Ecarq, Inc.	22-2065245	X
Emerson and Cuming, Inc.	22-2312556	X
Five Alewife Boston, Ltd.	22-3003981	X
GEC Equipment Co.	Pending	X
GEC Management Corp.	75-2283780	X
GPC Marketing Company	22-2279517	X

Fresenius Medical Care Holdings, Inc. **ATTACHMENT TO WAIVER**
Taxable Year Ended
December 31, 1989

Common Parent Corporation **Employer Identification Number**
Fresenius Medical Care Holdings, Inc. (f/k/a
W.R. Grace & Co. Affiliated Group and after that
f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group) 13-3461988

Subsidiary Corporations

SUBSIDIARY	EIN	Taxable Year Ended December 31, 1989
GPC Transporter, Inc.	73-1195791	X
GPC Property, Inc.	Pending	X
Gloucester New Communities Company, Inc.	13-2728098	X
Grace (Middle East), Inc.	13-3307138	X
Grace A-B, Inc.	22-2355544	X
Grace ASC Corp.	13-3220484	X
Grace Chemical Company of Cuba	36-6110408	X
Grace Communications, Inc.	13-2830262	X
Grace Drilling Company	73-0971397	X
Grace Energy Corp.	11-2516702	X
(formally Grace Natural Resources Corp.)		X
Grace Environmental, Inc.	13-3546067	X
Grace Equipment Co.	74-1951774	X
Grace H-G, Inc.	13-3041784	X
Grace Industrial Chemicals, Inc.	13-2671485	X
Grace Offshore Co.	72-0502652	X
Grace Par Corporation	22-2341175	X
Grace Petroleum Corporation	73-0963306	X
Grace Petroleum Libya Incorporated	13-6112816	X
Grace Technology Marketing Services, Inc.	13-2886491	X
Grace Transportation Services, Inc.	22-2289266	X
(Formally Grace Distribution Services)		
Grace Ventures Corp.	13-3102623	X
Grace Washington, Inc.	22-2941320	X
Gracoal, Inc.	75-1511800	X
Hanover Square Corporation	13-6112817	X
Homco International, Inc.	74-1614655	X
Monolith Enterprises Incorporated	52-0913918	X
Monolith Kitchens, Inc.	52-1309187	X
Mount Bunday Mining, Inc.	13-3365823	X
National Medical Care, Inc and Subsidiaries	04-2835488	X

Fresenius Medical Care
Holdings, Inc. **ATTACHMENT TO WAIVER**
Taxable Year Ended
December 31, 1989

Common Parent Corporation **Employer Identification Number**
Fresenius Medical Care Holdings, Inc. (f/k/a 13-3461988
W.R. Grace & Co. Affiliated Group and after that
f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)

Subsidiary Corporations

SUBSIDIARY	EIN	Taxable Year Ended December 31, 1989
Offshore Fisheries, Inc.	04-2154816	X
Ridgewood Acceptance Corporation	22-2739256	X
Ridgewood Bartow Holdings, Inc.	22-3193793	X
Ridgewood Phosphate Corporation	13-3007066	X
Seven Hanover Square Corporation	13-2770379	X
Sourgasco II Corp.	13-3041786	X
Southern Oil, Resin & Fiberglass, Inc.	59-0967853	X
StanTrans, Inc.	73-1059702	X
Standard Trans Pipe (Virginia) Inc.	22-2265877	X
Standard Transpipe Corp.	73-1054103	X
Support Terminal Services, Inc.	73-1078342	X
Ten Columbia Corporate Center, Inc.	22-3018095	X
Ven-Tech One, Inc.	13-3098612	X
W.R.C. Technical Ventures	13-3098291	X
W.R. Grace Capital Corp.	13-2934061	X
W.R. Grace Credit Corp.	13-3096116	X
W.R. Grace Land Corporation	13-2677646	X
W.R. Grace Properties, Inc.	13-2660688	X
Water Street Corporation	13-6152056	X
Woodward Chemicals Corporation	13-2795345	X
Woolwich Sewer Co.	52-1036012	X
Woolwich Water Co., Inc.	52-1036013	X
1211 Wisconsin, Inc.	22-2870023	X
7911 Baygreen, Inc.	52-1645583	X

Fresenius Medical Care **ATTACHMENT TO WAIVER**
Holdings, Inc. Taxable Year Ended
 December 31, 1989

The tax liability of Fresenius Medical Care Holdings, Inc. (f/k/a W.R. Grace & Co. Affiliated Group and after that f/k/a Fresenius National Medical Care Holdings, Inc. Affiliated Group) and each subsidiary company named above is stated as provided by the regulations prescribed under section 1502 of the Internal Revenue Code.

Taxable Year Ended	Deficiency
December 31, 1989	\$32,554,061.00

The deficiency shown will be assessed severally against each corporation named above in accordance with the regulations prescribed under section 1502 of the Internal Revenue Code.

Form 5278

Taxpayer: Fresenius Medical Care Holdings, Inc.
 (f/k/a W.R. Grace & Co. Affiliated
 Group and after that f/k/a Fresenius National
 Medical Care Holdings, Inc. Affiliated Group

Return Form #1120

STATEMENT - INCOME TAX CHANGES

Schedule #1

Notice of Deficiency

Taxable Years Ended

December 31,

1989

1. Adjustments to Income
- a. Interest Expense- Corporate Owned
Life Insurance
- b. Net Operating Loss Deduction

\$10,602,282.00

131,427,399.00

2. Total Adjustments

142,029,681.00

3. Taxable Income

145,355,687.00

- a. No Return Filed []
- b. Notice of Deficiency []
- c. Return as Filed [x]

4. Taxable Income as Revised

287,385,368.00

5. Tax

97,711,025.00

6. Alternative Tax

7. Corrected Tax Liability

97,711,025.00

8. Less Credits:

- a. Foreign Tax Credit
- b. General Business Credit
- c. Minimum Tax Credit

33,135,650.00

9,265,937.00

3,024,137.00

9. Balance

52,285,301.00

10. Plus:

- a. Investment Tax Credit Recapture
- b. Research Credit Recapture
- c. Environmental Tax

2,229,840.00

109,856.00

429,343.00

11. Total Corrected Tax Liability

55,054,340.00

12. Total Tax: Shown on Return or
Previously Adjusted
(See Schedule # 1A)

22,500,279.00

13. Increase in Tax

\$32,554,061.00

Form 5278

Taxpayer: Fresenius Medical Care Holdings, Inc.
 (f/k/a Grace & Co. Affiliated Group
 and after that f/k/a Fresenius National
 Medical Care Holdings, Inc.)

Return Form #1120

STATEMENT - INCOME TAX CHANGES

Notice of Deficiency

Schedule #1A

Taxable Years Ended
 December 31,
 1989

Form 5278-Line 12

Tax liability assessed
 on original return

\$45,160,750.00

Plus: Additional Assessment Made on
 or about April 3, 1995

12,628,663.00

Less: Refund from Form 1139 made on
 or about January 11, 1999

7,537,535.00

Less: Refund from Form 1139 made on
 or about May 29, 2000

27,751,599.00

Total tax shown on return and/or
 previously adjusted

\$22,500,279.00

Fresenius Medical Care
Holdings, Inc. (f/k/a W.R. Grace
& Co. Affiliated Group
and after that f/k/a
Fresenius National Medical
Care Holdings, Inc. Affiliated Group)

Explanation of Items
Taxable Years Ended
December 31, 1989

Notice of Deficiency Statement

1.a. It is determined that the claimed interest on loans from corporate owned life insurance in the amount of \$13,252,852.00 is not allowed to the extent of \$10,602,282.00 because it has not been established that any amounts in excess of \$2,650,570.00 represents ordinary and necessary business expenses or was spent for the purpose designated. Accordingly, your taxable income is increased in the amount of \$10,602,282.00 for the taxable year ended December 31, 1989.

Recap of Adjustment by Entity
W.R. Grace & Co.-Conn

December 31, 1989
\$10,602,282.00

1.b. It is determined that the amount of \$7,537,535.00 refunded to you for the taxable year ended December 31, 1989 resulted from your Application for Tentative Refund Form 1139 on which you claimed a net operating loss carryback from the taxable year ended December 31, 1997.

This net operating loss carryback cannot be used in the taxable year ended December 31, 1989 because it is subject to the separate return limitation year (SRLY) limitations imposed by the Treasury Regulations under I.R.C. § 1502 and the amount of the carryback exceeds the amount of the SRLY limitations imposed by those regulations.

It is further determined that the amount of \$27,751,599.00 refunded to you for the taxable year ended December 31, 1989 resulted from your Application for Tentative Refund Form 1139 on which you claimed a net operating loss carryback from the taxable year ended December 31, 1998.

This net operating loss carryback cannot be used in the taxable year ended December 31, 1989 because it is subject to the separate return limitation year (SRLY) limitations imposed by the Treasury Regulations under I.R.C. § 1502 and the amount of the carryback exceeds the amount of the SRLY limitations imposed by those regulations.

Due to the adjustments in this notice and other reports previously furnished to you, you sustained a net operating loss deduction within the meaning of section 172 of the Internal Revenue Code in the amount of \$0.00 for the taxable year ended December 31, 1989, rather than the amount of \$131,427,399.00 as shown on your return.

Recap of Adjustment by Entity
W.R. Grace & Co.-Conn

December 31, 1989
\$131,427,399.00

8.a. Due to the adjustments in this notice for the taxable year ended December 31, 1989, it is determined that you are allowed the Foreign Tax Credit in the amount of \$33,135,650.00, as shown in Exhibits A and A1, rather than the amount of \$ 33,135,837.00 as previously adjusted. Accordingly your tax liability increased in the amount of \$187.00 for the taxable year ended December 31, 1989.

Fresenius Medical Care
Holdings, Inc. (f/k/a W.R. Grace
& Co. Affiliated Group
and after that f/k/a
Fresenius National Medical
Care Holdings, Inc. Affiliated Group)

Explanation of Items
Taxable Years Ended
December 31, 1989

Notice of Deficiency Statement

8.b. Due to the adjustments made to taxable income in this notice for the taxable year ended December 31, 1989, it is determined that you are allowed the General Business Credit in the amount of \$9,265,937.00, as shown in Exhibits B and B1.

8.c. Due to the adjustments made to taxable income in this notice that directly affect the prior year minimum tax credit, it is determined that you are allowed the prior year minimum tax credit in the amount of \$3,024,137.00, as shown in Exhibit C, for the taxable year ended December 31, 1989.

10.a. It is determined that for the taxable year ended December 31, 1989 you reported recapture of investment credits in the amount of \$2,229,840.00 as a reduction to amounts of unused investment credits being carried forward to 1989, not as an increase in tax. It is determined that there are no investment credit carryovers to 1989. Therefore, the investment credit recapture in the amount of \$2,229,840.00 must be reported as an increase in tax. Accordingly, your tax liability is increased in the amount of \$2,229,840.00 for the taxable year ended December 31, 1989. See Exhibit D.

10.b. It is determined that for the taxable year ended December 31, 1989, the research credit in the amount of \$109,856.00 is due to be recaptured and reflects a correction of the preliminary base period used in the March 19, 1995, to the actual base period amounts. Accordingly, your tax liability is increased in the amount of \$109,856.00 for the taxable year ended December 31, 1989. See Exhibits D and E.

10.b. Due to the adjustments made to taxable income that directly affect the environmental tax, it is determined that you are subject to environmental tax in the amount of \$429,343.00, for the taxable year ended December 31, 1989, rather than the amount of \$416,619.00 as previously adjusted. Accordingly, your tax liability is increased in the amount of \$12,427.00 for the taxable year ended December 31, 1989. See Exhibits F and F1.

Fresenius Medical Care Holdings, Inc. (f/k/a
W. R. Grace & Co. Affiliated Group and after
that f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)

Notice of Deficiency Statement
Exhibit A

----- FTC Main Worksheet - Input -----

	12/1989 review
ELECTIONS:	
Deduct Foreign Tax (Y/N)	No
Simplified AMT FTC (Y/N)	n/a
REGULAR FTC:	
Summary:	
Total Reg FTC from Categories	33,080,157
Adjustment to Regular FTC	55,493
Less: Boycott Reduction	0
Total Regular FTC Allowed	33,135,650
Limitation Fraction:	
Adjustment to US Taxable Inc	0
Adjustment to Inc Tax for FTC	0
Rounding of Limit Frac (0=No):	
1-14 Decimal Places	0
Foreign Taxes Deducted:	
Adjustment to Proforma Taxable Inc	0
Adjustment to Proforma Income Tax	0
AMT FTC:	
Summary:	
Total AMT FTC from Categories	19,491,669
Adjustment to AMT FTC	0
Less: Boycott Reduction	0
Total AMT FTC Allowed	19,491,669
Limitation Fraction:	
Adjustment to US AMTI	0
Adjustment to TMT for AMT FTC	0
Rounding of Limit Frac (0=No):	
1-14 Decimal Places	0
Adjustment to Overall AMT FTC Limit	0
Foreign Taxes Deducted:	
Adjustment to Proforma AMTI	0
Adjustment to Proforma Overall Limit	0
MTC FTC:	
MTC FTC on Excl Items	0

----- Adjustment to Regular FTC -----

	12/1989 review
Regular FTC Adjustment	0
FROM NEW GRACE PER RETURN	0
from NEW GRACE - GC HOLDIN	0
Manual Entry	55,493
Total	55,493

Fresenius Medical Care Holdings, Inc. (f/k/a

Notice of Deficiency Statement

W. R. Grace & Co. Affiliated Group and after

Exhibit A1

that f/k/a Fresenius National Medical Care Holdings, Inc.

Affiliated Group)

----- Summary of Regular FTC Allowed -----

	12/1989 review
ELECTION:	
Deduct Foreign Tax (Y/N)	No
REGULAR FTC ALLOWED:	
Cat 1: PASSIVE	0
Cat 2: HIGH-WITHHOLDING	523,871
Cat 3: FUJI- 902	224,117
Cat 4: K.K.FUR-SUS-902	0
Cat 5: SEA-OIL-902	187,140
Cat 6: GENERAL	32,145,029
Cat 7: CORMIX-902	0
Cat 8: WR GRACE S.AFRICA-	0

Total Before Adjustments	33,080,157
Add: Adjustment	55,493
Less: Boycott Reduction	0

Total Regular FTC Allowed	33,135,650
=====	
SECTION 965 REPATRIATION:	
Sec 965 Repatriation	
Included in Total Reg FTC	0

Fresenius Medical Care Holdings, Inc.

Notice of Deficiency Statement
Exhibit BGeneral Business Credit
Taxable Year Ended December 31, 1989

<u>Description</u>	<u>Amounts</u>
Allowable General Business Credit Per Return	(\$20,451,142.00)
Allowable General Business Credit Per Audit-March 19, 1995	(662,618.00)
Adjustment to General Business Credit Per Audit March 19, 1995	<u>\$19,788,524.00</u>
Allowable General Business Credit Per Audit-March 19, 1995	(\$662,618.00)
Allowable General Business Credit Per Form 1139-Carryback From 1997	(8,130,168.00)
Adjustment to General Business Credit Per Form 1139-Carryback from 1997	<u>(\$7,467,550.00)</u>
Allowable General Business Credit Per Audit-March 19, 1995	(\$662,618.00)
Additional General Business Credit Per Form 1139-Carryback From 1997	(7,467,550.00)
Total Allowable General Business Credit Per Form 1139-Carryback From 1997	<u>(\$8,130,168.00)</u>
Additional General Business Credit from Corrected 1997 Carryback to 1988	(1,135,769.00)
Allowable General Business Credit Per Audit	<u><u>(\$9,265,937.00)</u></u>

Fresenius Medical Care Holdings, Inc. (f/k/a
W. R. Grace & Co. Affiliated Group and after
that f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)

Notice of Deficiency Statement
Exhibit B1

General Business Credit - Input

	12/1989 review
ADJUSTMENTS TO LIMITATIONS:	
Sec 382 Limits for GBC/MTC	No
Post-1986 GBC Limit	0
Pre-1984 Comb-ITC Limit	n/a
GBC COMPONENTS:	
Investment Credit:	
Regular ITC	0
Regular ITC - Passive	0
Rehabilitation Credit	0
Invest ESOP (TRASOP)	n/a
Energy Credit	0
Reforestation Credit	n/a
Work/Jobs Credit	54,812
Welfare-to-Work Credit	n/a
Alcohol Fuel Credit	0
Research Credit	807,806
Low-Income Housing	0
Enhanced Oil Recovery	n/a
Disabled Access Credit	n/a
Biomass Electricity	n/a
Wind Electricity	n/a
Indian Employment	n/a
Employer Social Security	n/a
Post-6/96 Orphan Drug	n/a
New Markets Tax Credit	n/a
Pension Plan Credit	n/a
Child Care Credit	n/a
Payroll ESOP (PAYSOP)	n/a
WIN Credit	n/a
GBC BEFORE ZONE CREDITS:	
Current GBC	662,618
GBC Available	6,334,464
GBC Allowed	6,334,464
ZONE CREDITS:	
Empowerment Zone Credit	n/a
DC Zone Credit	n/a
NY Liberty Zone Credit	n/a
Zone Credits Allowed	n/a
TOTAL GBC:	
Total GBC Before Adjustment	6,334,464
Adjustment to Total GBC	2,931,473
Total GBC Allowed	9,265,937

Regular ITC

	12/1989 review
Regular ITC	0
Total	0

Fresenius Medical Care Holdings, Inc.

Notice of Deficiency Statement
Exhibit CMinimum Tax Credit
Taxable Year Ended December 31, 1989

<u>Description</u>	<u>Amounts</u>
Allowable Minimum Tax Credit Per Audit-March 19, 1995	(\$2,935, 000.00)
Additional Minimum Tax Credit from Original 1997 Carryback to 1988 Per Form 1139	(69,985.00)
Total Allowable Minimum Tax Credit from Original 1997 Carryback to 1988 Per Form 1139	(\$3,004,985.00)
Delete:	
Allowable Minimum Tax Credit Per Audit-March 19, 1995	2,935,000.00
Additional Minimum Tax Credit from Original 1997 Carryback to 1988 Per Form 1139, Now Superseded by Corrected Credit Amount As a Result of Corrected 1997 NOL Carryback to 1988	\$69,985.00
Plus: Additional Minimum Tax Credit from Corrected 1997 NOL Carryback to 1988.	(\$3,024,137.00)
Total Allowable Minimum Tax Credit Per Audit	(\$3,024,137.00)

Fresenius Medical Care Holdings, Inc. (f/k/a
W.R. Grace & Co. Affiliated Group and after
that f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)

Notice of Deficiency Statement

Exhibit D

Miscellaneous Taxes & Credit Recapture - Input

	12/1989 review
CREDIT RECAPTURE:	
Investment Credit	2,229,840
Low-Income Housing Credit	0
Qual Elec Vehicle Credit	n/a
Indian Employment Credit	n/a
New Markets Tax Credit	n/a
Child Care Credit	n/a
Adjustment to Credit Recapture	109,856
Subtotal Credit Recapture	2,339,696
MISCELLANEOUS TAXES:	
Sec 453(l)(3) Interest	0
Sec 453A(c) Interest	0
Sec 460(b)(2) Interest	0
Adjustment to Misc Taxes	0
Subtotal Misc Taxes	0
TOTAL MISC & RECAPTURE:	
Total Misc & Recapture	2,339,696

FOR AUDIT PURPOSES ONLY:
Disable COs/CBs FROM This Year:
Disable All Carrybacks (Y/N) No
Disable Cap Loss CB Only (Y/N) No
Disable Major Carryovers (Y/N) No
To Collect Payroll, Excise,
and Other Data Not Used by
the Program:
For Info Only 0

Adjustment to Credit Recapture

	12/1989 review
Adjustment to Credit Recapture	0
Minimum Tax Credit	0
Research Credit	109,856

Total	109,856
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Fräsenius Medical Care Holdings, Inc. (f/k/a
W.R. Grace & Co. Affiliated Group and after

Notice of Deficiency Statement
Exhibit E

that f/k/a Fresehius National Medical Care Holdings, Inc.
Affiliated Group) 1989

	Per 3/95 RAR	As Corrected	Adjustment
Current Year R & E Expenses	55,345,882	55,345,882	0
Base Years R & E Expenses (A)	51,684,401	52,346,187	(661,786)
Increase	3,661,481	2,999,695	661,786

20% of increase	732,296	599,939	132,357
Sec. 280 reduction, 17% of above	124,490	101,990	22,501
C (c)			
R & E Credit	607,806	497,949	109,856

Credit per return	771,499
Adjustment per 3/95 RAR	(163,693)
Credit per 3/95 RAR	607,806

Adjustments to 1985 expenses:

New York House
Jerman Buskin
Retail Group
Cryovac
Polyfibron
Baker & Taylor
Research Div.

Total, 1985

Adjustments to 1986 expenses:

Polyfibron	(176,000)	0	(176,000)
Baker & Taylor	(1,809,357)	0	(1,809,357)
Research Div.	(127,965)	(127,965)	0
Total, 1986	(2,113,322)	(127,965)	(1,985,357)

Total base year adjustments	(2,113,322)	(127,965)	(1,985,357)
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Averaging effect, divide total
by 3 years

Correction of Polyfibron amt.	(704,441)	(42,655)	(661,786)
	0	0	0

Total 85/86 base year adjstnts	(704,441)	(42,655)	(661,786)
Total 87/88 base year adjstnts	(1,114,892)	(1,114,892)	0
Base year amount per return	53,503,734	53,503,734	0
Base year amounts, as corrected (A)	51,684,401	52,346,187	(661,786)

Fresenius Medical Care Holdings, Inc (f/k/a
W. R. Grace & Co. Affiliated Group and after
that f/k/a Fresenius National Medical Care Holdings, Inc.
Affiliated Group)

Notice of Deficiency Statement

Exhibit F

AMT Main Worksheet - Input

	12/1989 review
SMALL CORPORATION:	
Qualifies for AMT Repeal	No
ALT MIN TAXABLE INCOME:	
Prelim Taxable Income	287,385,388
Add: Reg NOL Deduction	483,717
TI Before Regular NOL	287,889,085
Add: Adjustments/Pref Items	70,139,684
Reg Passive Loss/Inc	0
AMT Passive Inc/Loss	0
Reg NOL - Short Yr	0
Less: AMT NOL - Short Yr	0
Preadjustment AMTI	358,008,769
Excess Book Inc Adjust	0
ACE Adjustment	n/a
AMTI Before Energy/NOL	358,008,769
Less: Energy Pref Deduct	n/a
AMT NOL Deduction	483,717
Preliminary AMTI	357,525,052
Other AMTI	1,359,796
Alt Min Taxable Income	358,884,848
ALTERNATIVE MINIMUM TAX:	
Tentative Minimum Tax	52,285,301
Regular Tax After FTC	64,575,375
AMT Before Adjustment	0
Adjustment to AMT	0
Alternative Minimum Tax	0
ENVIRONMENTAL TAX:	
Env Tax Before Adjustment	429,343
Adjustment to Env Tax	0
Environmental Tax	429,343
MTC TO NEXT YEAR:	
MTC to Next Year Bef Adj	19,010,275
Adjustment to MTC	0
MTC Carried to Next Year	19,010,275
NET MIN TAX ON EXCL ITEMS:	
Other AMTI on Excl Items	0

Fresenius Medical Care Holdings, Inc. (f/k/a
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Affiliated Group)

Notice of Deficiency Statement

Exhibit F1

AMT Adjustments and Preference Items - Input

12/1989
review

AMT ADJUSTMENTS/PREFS:

Depr Post-1986 Property	57,416,061
Amort of Poll Ctrl Fac	0
Amort of Mining Costs	7,113,453
Adjusted Gain or Loss	0
Long-Term Contracts	0
Installment Sales	0
Loss Limitations	0
Depletion	5,293,635
Certain Tax-Exempt Int	0
Charitable Contributions	0
Intangible Drilling Costs	0
Bad Debt Reserves	0
Depr Pre-1987 Real Prop	316,635
Other Preference Items	0
Other Adjustments	0
Foreign Div Gross-up (S78)	0

Total Adjusts & Prefe 70,139,684

AMT NOLs - SPECIAL RULES:

Adjustment to AMT NOL Gen	0
Section 382 COs	No
AMT NOL COs from SRLY	483,717
AMT NOL CBs to SRY	No
Special AMT NOL CBs:	
10/5/3-Year AMT NOL CBs	0
AMT FTC LIMIT:	
Adjustment to Overall Limit	0
ENVIRONMENTAL TAX:	
Adjustment to AMTI for Envir Tax	0

Internal Revenue Service

Department of the Treasury

Date:

MAR 22 2007

Elyse Filon, Esquire, Vice President-Finance
W.R. Grace & Co.
5400 Broken Sound Boulevard NW
Suite 300
Boca Raton, Florida 33487-3517

Taxpayer Name:
Fresenius Medical Care Holdings, Inc.
Taxpayer Identification Number:
13-3461988
Form Number:
1120
Year(s):
1989
Person to Contact/ID Number:
Susan S. Wells
ID Number 65-04445
Contact Telephone Number:
(954) 423-7510
Contact Fax Number:
(954) 423-7495

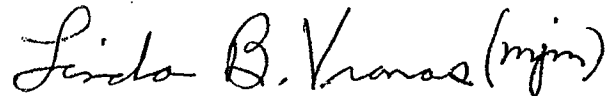
Dear Ms. Filon:

We are sending you the enclosed material under the provisions of your power of attorney or other authorization we have on file. For your convenience, we have listed the name of the taxpayer to whom this material relates in the heading above.

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,



Linda B. Vranas
Technical Services Territory Manager
South Atlantic Area

Enclosures:

- ☐ Letters(s)
- ☐ Reports(s)
- ☒ Other – Notice of Deficiency